

*Financial Statements, Required Supplementary
Information, Supplementary Information, and
Report on Internal Control and Compliance*

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

*Years ended September 30, 2023 and 2022
with Report of Independent Auditors*



Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Financial Statements, Required Supplementary Information,
Supplementary Information, and Report on Internal Control and Compliance

Years ended September 30, 2023 and 2022

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Report of Independent Auditors

The Board of Directors
Marshall Islands Postal Service Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of Marshall Islands Postal Service Authority (MIPSA), a component unit of the Republic of the Marshall Islands, as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise MIPSA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of MIPSA at September 30, 2023 and 2022, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of MIPSA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MIPSAs ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MIPSAs internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MIPSAs ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 11 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise MIPSAs basic financial statements. The supplementary information on page 26 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2025, on our consideration of MIPSAs internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MIPSAs internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MIPSAs internal control over financial reporting and compliance.

Ernst + Young

May 16, 2025

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Management's Discussion and Analysis

Years ended September 30, 2023 and 2022

As stewards of the Marshall Islands Postal Service Authority (the "Authority"), we are pleased to present this Management's Discussion and Analysis (MD&A) for the fiscal year ended September 30, 2023. This report provides a high-level overview of the Authority's financial activities, performance metrics, and operational direction, serving as a companion to the independently audited financial statements.

The Authority was established under the Postal Service Act of 1983 and has operated as an autonomous entity since 2008, following the enactment of the Postal Service Fund (Amendment) Act of 2007. This transition granted the Authority full fiscal independence from the Government of the Republic of the Marshall Islands (RepMar) Treasury, enabling greater operational agility and direct responsibility for financial and service outcomes.

In 2023, the Authority continued to operate under complex macroeconomic and logistical conditions, yet remained focused on its mandate to deliver cost-effective, reliable, and equitable postal services across all regions of the Republic. This MD&A highlights key financial indicators, explains significant variances, and outlines the fiscal strategies employed to manage revenues, contain costs, and sustain service delivery.

Through disciplined financial oversight, strategic resource deployment, and continued public accountability, the Authority reaffirms its commitment to upholding long-term financial sustainability and operational excellence in support of national infrastructure and community service.

FINANCIAL HIGHLIGHTS

The assets of the Authority exceeded its liabilities at the close of business for the year by \$1,291,577 (net position), decreasing by \$40,959 (or 3.1%) from \$1,332,536 in the prior year.

In the fiscal year ending September 30, 2023, the Authority recorded total revenues of \$834,303, primarily derived from stamp sales and postal box rentals, which together represented approximately 87% of total revenues. Concurrently, the Authority incurred total expenses of \$1,075,497, primarily associated with the continued provision of domestic and international mail services. While operational revenues addressed a portion of these expenses, the remaining deficit was supported by an operating subsidy of \$223,054 from the Government of the Republic of the Marshall Islands (RepMar).

This structure ensures the continuity of essential postal services throughout the Republic. Adhering to fiscal discipline and operational focus, the Authority remains committed to transparent financial stewardship and value delivery for all communities it serves.

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Management's Discussion and Analysis, continued

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the financial statements of the Authority for the fiscal year ended September 30, 2023 with comparative information presented for 2022 and 2021. These statements provide a comprehensive view of the Authority's financial performance, condition, and operational results.

The Authority's financial statements are comprised of the following four (4) components: 1) Statement of Net Position 2) Statement of Revenues, Expenses, and Changes in Net Position 3) Statement of Cash Flows 3) Notes to the Financial Statements.

The Authority operates as a single proprietary fund, using fund accounting to ensure compliance with finance-related legal requirements. Proprietary funds are like business enterprises in that they generate revenue by charging customers fees for services rendered, typically in the form of operating revenue. In addition to operating revenue, proprietary funds may receive non-operating revenue, such as government grants or subsidies, which help support ongoing operations.

These statements have been prepared in accordance with generally accepted accounting principles (GAAP) for governmental entities, ensuring accuracy, transparency, and comparability.

The Statement of Net Position presents the Authority's assets, liabilities, and the resulting net position at year-end. The net position is calculated as the difference between total assets and total liabilities, which serves as an important indicator of the Authority's financial strength and ability to meet both short-term and long-term obligations.

The Statement of Revenues, Expenses, and Changes in Net Position reflects the financial activities of the Authority over the fiscal year. It provides detailed information on operating revenues and expenses, as well as non-operating income, such as government subsidies. The resulting change in net position provides insight into the Authority's operational performance and financial outcomes for the year.

The Statement of Cash Flows summarizes the cash inflows and outflows during the fiscal year. It categorizes cash flows into three activities:

- Operating activities: Cash generated or used in core operations.
- Non-capital financing activities: Cash related to grants, subsidies, or other financing activities.
- Investing activities: Cash used or generated through the acquisition and sale of capital assets.

This statement helps users assess the Authority's liquidity and its ability to manage cash resources efficiently.

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Management's Discussion and Analysis, continued

OVERVIEW OF FINANCIAL STATEMENTS, CONTINUED

The Notes to the Financial Statements provide essential context for the figures presented in the core financial statements. The notes offer detailed information on accounting policies, capital assets, commitments, and other key disclosures necessary for a complete understanding of the Authority's financial position and operations.

In addition to these core financial statements, the Authority also presents supplementary schedules, including a Combining Schedule of Operating Income (Loss) by Station for the year ended September 30, 2023.

Financial Analysis

Net Position

Net position may serve over time as a useful indicator of a governmental entity's financial condition. The Summary Statement of Net Position presented below provides insight into the Authority's financial resources and obligations.

At the close of business on September 30, 2023, the Authority's total assets were \$1,666,032, while total liabilities amounted to \$374,455. As a result, the Authority's net position was \$1,291,577, representing a decline of \$40,959 (or 3.1%) from the 2022 balance of \$1,332,536.

Summary Statements of Net Position

A summary of the Authority's Statements of Net Position as of September 30, 2023 compared with 2022 and 2021 is presented below:

Summary Statements of Net Position
As of September 30

			\$ Change	% Change	
	<u>2023</u>	<u>2022</u>	<u>2023-2022</u>	<u>2023-2022</u>	<u>2021</u>
Assets:					
Current and other assets	\$ 1,383,367	\$ 1,463,261	\$ (79,894)	(5.5)%	\$ 1,390,084
Capital assets	<u>282,665</u>	<u>262,310</u>	<u>20,355</u>	7.8%	<u>270,891</u>
Total assets	<u>1,666,032</u>	<u>1,725,571</u>	<u>(59,539)</u>	(3.5)%	<u>1,660,975</u>
Liabilities:					
Current and other liabilities	<u>374,455</u>	<u>393,035</u>	<u>(18,580)</u>	(4.7)%	<u>393,497</u>
Net position:					
Net investment in capital asset	94,644	98,653	(4,009)	(4.1)%	64,653
Unrestricted	<u>1,196,933</u>	<u>1,233,883</u>	<u>(36,950)</u>	(3.0)%	<u>1,202,825</u>
Total net position	<u>\$ 1,291,577</u>	<u>\$ 1,332,536</u>	<u>\$ (40,959)</u>	(3.1)%	<u>\$ 1,267,478</u>

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Management's Discussion and Analysis, continued

Summary Statements of Net Position, continued

The Authority's net position is comprised of:

- Unrestricted net position of \$1,196,933, which is available to finance ongoing operations; and
- Net investment in capital assets totaling \$94,644, reflecting the book value of capital infrastructure net of depreciation.

Despite challenges faced throughout the fiscal year, including increased operational costs and a decline in revenue, the Authority maintained a strong balance sheet with no external debt, reinforcing its ability to meet future obligations and continue providing essential postal services.

Total assets of the Authority decreased by \$59,539 (or 3.5%) from \$1,725,571 in 2022 to \$1,666,032 in 2023. This slight decline reflects changes in cash and receivables within the current asset base. Current and other assets decreased by \$79,894 (or 5.5%) from \$1,463,261 in 2022 to \$1,383,367 in 2023. This decrease is primarily attributed to reductions in cash on hand and lower receivable balances at year-end. Capital assets, net of depreciation and amortization, increased by \$20,355 (or 7.8%) from \$262,310 in 2022 to \$282,665 in 2023. This increase reflects modest capital acquisitions made during the year of \$115,639, which were offset by annual depreciation and amortization expense of \$95,284. Total liabilities of the Authority decreased by \$18,580 (or 4.7%) from \$393,035 in 2022 to \$374,455 in 2023. This decrease was mainly driven by reductions in payroll liabilities and affiliate payables, partially offset by higher lease obligations and accounts payable balances.

Summary Statements of Revenues, Expenses, and Changes in Net Position

A summary of the Authority's Statements of Revenues, Expenses, and Changes in Net Position as of September 30, 2023, compared with 2022 and 2021, is presented below:

Summary Statements of Revenues, Expenses and Changes in Net Position					
Year ended September 30					
	2023	2022	\$ Change 2023-2022	% Change 2023-2022	2021
Operating:					
Operating revenues	\$ 834,303	\$ 976,981	\$ (142,678)	(14.6)%	\$ 1,026,247
Operating expenses	<u>1,075,497</u>	<u>1,080,585</u>	<u>(5,088)</u>	(0.5)%	<u>937,271</u>
Operating income (loss)	<u>(241,194)</u>	<u>(103,604)</u>	<u>(137,590)</u>	132.8%	<u>88,976</u>
Nonoperating:					
Non-operating revenues	223,054	197,059	25,995	13.2%	221,414
Non-operating expenses	<u>22,819</u>	<u>28,397</u>	<u>(5,578)</u>		<u>-</u>
	<u>200,235</u>	<u>168,662</u>	<u>31,573</u>	18.7%	<u>221,414</u>
Change in net position	<u>\$ (40,959)</u>	<u>\$ 65,058</u>	<u>\$ (106,017)</u>	(163.0)%	<u>\$ 310,390</u>

Marshall Islands Postal Service Authority
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Management's Discussion and Analysis, continued

Summary Statements of Revenues, Expenses, and Changes in Net Position, continued

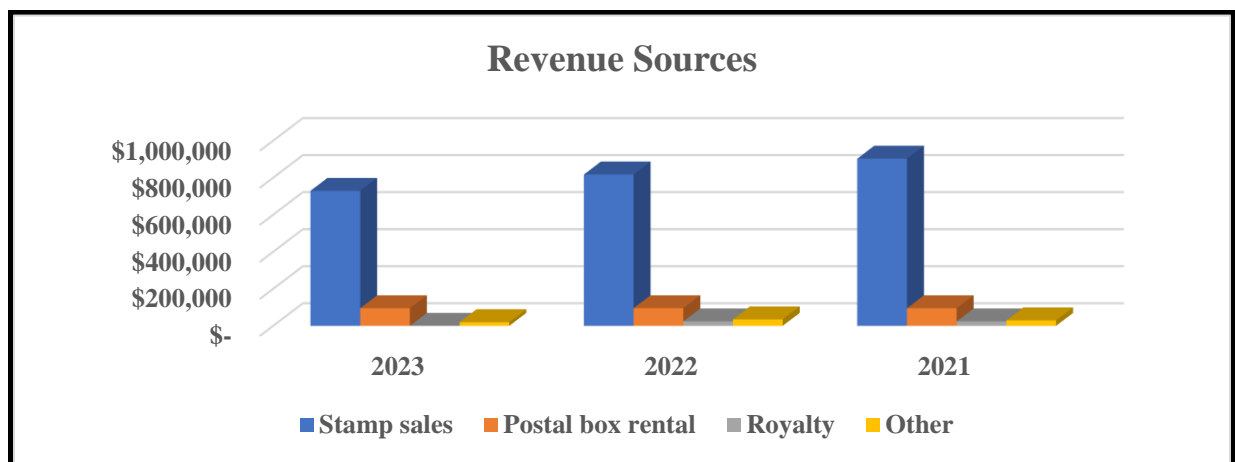
Current year activities resulted in a decrease in the net position of the Authority in the amount of \$40,959. The Summary Statements of Revenues, Expenses, and Changes in Net Position above has been prepared to reflect the financial results for the year and to illustrate the calculation of the Authority's net position.

Changes in total net position as presented in the Statements of Net Position are based on the financial activity detailed in the Statements of Revenues, Expenses, and Changes in Net Position. This statement outlines the revenues earned by the Authority, both operating and nonoperating, as well as the expenses incurred during the fiscal year. It also captures other sources and uses of funds, such as government subsidies and financing costs, to present the overall financial performance for the year ended September 30, 2023 in comparison with 2022 and 2021.

Revenue Sources

The Authority's revenues reported at the end of the year amounted to \$834,303 in 2023, a decrease of \$142,678 (or 14.6%) from \$976,981 in 2022. Approximately 99% or \$824,108 of the Authority's operating revenue generated during 2023 came from stamp sales and postal box rental fees, which represented 87.4% and 11.4%, respectively, of total operating revenues for the year.

The table below has been prepared to present the composition of the Authority's revenue sources for fiscal years 2023, 2022, and 2021.



Marshall Islands Postal Service Authority
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Management's Discussion and Analysis, continued

Summary Statements of Revenues, Expenses, and Changes in Net Position, continued

Revenue Sources, continued

Stamp sales remain the primary source of revenue for the Authority, supporting both domestic and international mail services. In 2023, stamp sales declined by \$88,068, or 10.8%, compared to the previous fiscal year. This followed a similar downward trend observed in 2022 compared with 2021. Overall, total operating revenues fell by \$142,678, or 14.6%, from \$976,981 in 2022 to \$834,303 in 2023, largely due to decreased mailing activity and the absence of royalty income that had contributed to prior years. To offset the operating deficit, the Authority received \$223,054 in non-operating revenue from the RMI National Government. This financial support helped stabilize operations amid reduced income. Despite the assistance, the Authority's net position declined to \$1,291,577, down from \$1,332,536 in 2022. A summary of revenues of the Authority by funding source for the year ended September 30, 2023 compared with 2022 and 2021 is presented below:

Summary Schedule of Operating Revenues by Source
Years ended September 30

			\$ Change	% Change	
	2023	2022	2023-2022	2023-2022	2021
Operating revenues:					
Stamp sales	\$ 729,030	\$ 817,098	\$ (88,068)	(10.8)%	\$ 902,545
Postal box rentals	95,078	95,336	(258)	(0.3)%	94,801
Royalty	-	24,000	(24,000)	(100.0)%	24,000
Other	19,786	34,977	(15,191)	(43.4)%	29,759
Bad debt recovery (expense)	(9,591)	5,570	(15,161)	(272.2)%	(24,858)
	<u>\$ 834,303</u>	<u>\$ 976,981</u>	<u>\$ (142,678)</u>	(14.6)%	<u>\$ 1,026,247</u>

Expense Distribution

Total costs incurred as of the close of business on September 30, 2023, amounted to \$1,075,497. Of this amount, the Authority incurred \$677,038 in employee salaries and wages expense and \$95,284 in depreciation and amortization expense. Together, these two categories represent approximately 72% of total operating expenses, underscoring the Authority's continued commitment to staffing and infrastructure maintenance as core cost centers.

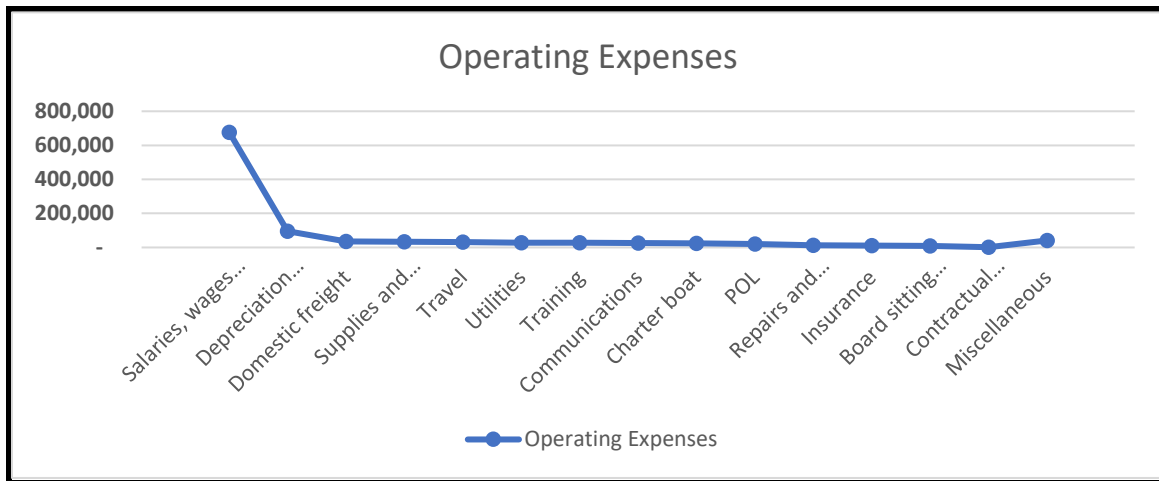
The graph below was prepared to describe the expenses distribution of the Authority during the year.

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Management's Discussion and Analysis, continued

Summary Statements of Revenues, Expenses, and Changes in Net Position, continued

Expense Distribution, continued



Capital Assets and Debt

During fiscal year 2023, the Authority acquired equipment and other fixed assets totaling approximately \$63,280, including minor upgrades to operational and delivery infrastructure. At year-end, the Authority reported net capital assets of \$94,644 and a right-of-use asset of \$188,021. These investments support the Authority's service delivery capacity, particularly in facility use and logistics. The Authority recorded depreciation and amortization expense of \$95,284 during the year. A summary of capital asset balances and changes is provided below for 2023, with comparisons to prior years.

Summary Schedule of Capital Assets
As of September 30

	2023	2022	\$ Change 2023-2022	% Change 2023-2022	2021
Depreciable capital assets:					
Motor vehicles	\$ 346,255	\$ 295,760	\$ 50,495	17.1%	\$ 234,770
Right-to-use assets	277,594	225,235	52,359	23.2%	225,235
Furniture and equipment	170,534	159,945	10,589	6.6%	140,999
	794,383	680,940	113,443	16.7%	601,004
Accumulated depreciation	(511,718)	(418,630)	(93,088)	22.2%	(330,113)
	<u>\$ 282,665</u>	<u>\$ 262,310</u>	<u>\$ 20,355</u>	7.8%	<u>\$ 270,891</u>

For additional information concerning capital assets, please refer to Note 4 of the accompanying financial statements.

Marshall Islands Postal Service Authority
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Management's Discussion and Analysis, continued

Capital Assets and Debt, continued

The Authority has adopted GASB Statement No. 87 for leases resulting in the recognition of a lease liability, which represents the present value of future lease payments and is recorded as a long-term liability on the statement of net position. During 2023, the Authority recognized additional lease liabilities of \$52,359. Lease liabilities represent the only long-term debt of the Authority. For additional information concerning leases, please refer to Note 5 of the accompanying financial statements.

ECONOMIC OUTLOOK

The Authority continues to explore technology-driven solutions to meet growing demand without expanding its physical footprint. With increasing population density and limited facility space, many locations have reached capacity in terms of rentable postal boxes. While physical expansion would place strain on limited capital resources, the Authority is instead pursuing virtual PO Box services as a sustainable alternative. This approach enables broader service access while minimizing infrastructure and overhead costs.

Looking ahead, technology will play a central role in enhancing service delivery, customer interaction, and operational efficiency. By investing in digital platforms and service automation, the Authority can respond to growing demand, streamline internal processes, and maintain financial stability amid ongoing budget constraints.

Compared to \$66,000 in 2014, postal box rental revenue reached \$95,078 in 2023, with growth slowing due to limited physical capacity.

The Authority operates under a core philosophy of excellence, integrity, and accountability, driven by its leadership and management to support the ongoing economic development of the Marshall Islands.

REQUEST FOR INFORMATION

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Post Office's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Postmaster General, Post Office, Majuro MH 96960.

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Statements of Net Position

	September 30, 2023	2022
	<u>2023</u>	<u>2022</u>
Assets		
Current assets:		
Cash	\$ 1,345,350	\$ 1,387,370
Receivables:		
Postal box rental	78,404	73,671
Royalties	18,000	48,000
Affiliates	3,200	6,500
Other	386	386
	<u>99,990</u>	<u>128,557</u>
Less allowance for doubtful accounts	(77,345)	(86,417)
	<u>22,645</u>	<u>42,140</u>
Inventory	6,126	7,254
Prepaid expenses	9,246	8,997
Total current assets	<u>1,383,367</u>	<u>1,445,761</u>
Deposit for capital asset acquisition	---	17,500
Capital assets, net of accumulated depreciation	94,644	81,153
Lease assets, net	<u>188,021</u>	<u>181,157</u>
Total assets	<u><u>\$ 1,666,032</u></u>	<u><u>\$ 1,725,571</u></u>
Liabilities and Net Position		
Current liabilities:		
Accounts payable - trade	\$ 31,599	\$ 23,928
Accounts payable - affiliates	39,269	46,892
Accrued payroll	34,099	63,030
Unearned revenues	23,748	23,834
Current portion of accrued annual leave	15,274	16,473
Current portion of lease liabilities	<u>44,742</u>	<u>38,008</u>
Total current liabilities	<u>188,731</u>	<u>212,165</u>
Noncurrent liabilities:		
Accrued annual leave, net of current portion	24,921	26,878
Lease liabilities, net of current portion	<u>160,803</u>	<u>153,992</u>
Total noncurrent liabilities	<u>185,724</u>	<u>180,870</u>
Total liabilities	<u>374,455</u>	<u>393,035</u>
Commitments and contingencies		
Net position:		
Net investment in capital assets	94,644	98,653
Unrestricted	<u>1,196,933</u>	<u>1,233,883</u>
Total net position	<u>1,291,577</u>	<u>1,332,536</u>
	<u><u>\$ 1,666,032</u></u>	<u><u>\$ 1,725,571</u></u>

See accompanying notes.

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Statements of Revenues, Expenses and Changes in Net Position

	Year ended September 30,	
	2023	2022
Operating revenues:		
Stamp sales	\$ 729,030	\$ 817,098
Postal box rentals	95,078	95,336
Royalty	---	24,000
Other	19,786	34,977
(Allowance for) recovery of bad debts	(9,591)	5,570
Total operating revenues	<u>834,303</u>	<u>976,981</u>
Operating expenses:		
Salaries, wages and other benefits	677,038	721,964
Depreciation and amortization	95,284	88,517
Domestic freight	35,908	29,014
Supplies and materials	33,414	43,117
Travel	32,123	13,340
Utilities	28,683	27,579
Training	28,469	3,301
Communications	26,372	22,814
Charter boat	23,875	20,833
Petroleum, oil and lubricants	19,431	15,824
Repair and maintenance	13,162	11,913
Insurance	10,271	24,515
Board sitting fees	9,589	6,138
Contractual services	1,560	480
Building lease rentals	---	3,249
Miscellaneous	40,318	47,987
Total operating expenses	<u>1,075,497</u>	<u>1,080,585</u>
Loss from operations	(241,194)	(103,604)
Nonoperating revenues (expenses):		
Contributions from RepMar	223,054	197,059
Interest expense	(22,819)	(28,397)
Total nonoperating revenues, net	<u>200,235</u>	<u>168,662</u>
Change in net position	(40,959)	65,058
Net position at beginning of year	<u>1,332,536</u>	<u>1,267,478</u>
Net position at end of year	<u>\$ 1,291,577</u>	<u>\$ 1,332,536</u>

See accompanying notes.

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Statements of Cash Flows

	Year ended September 30,	
	2023	2022
Cash flows from operating activities:		
Cash received from customers	\$ 853,712	\$ 954,716
Cash payments to suppliers for goods and services	(302,248)	(273,034)
Cash payments to employees for services	(709,125)	(688,943)
Net cash used in operating activities	(157,661)	(7,261)
Cash flows from capital and related financing activities:		
Acquisition and deposits of capital assets	(45,780)	(78,439)
Principal paid on lease	(38,814)	(33,235)
Interest paid on lease	(22,819)	(28,397)
Cash used in capital and related financing activities	(107,413)	(140,071)
Cash flows from noncapital financing activities:		
Contributions received from RepMar	223,054	197,059
Net change in cash	(42,020)	49,727
Cash at beginning of year	1,387,370	1,337,643
Cash at end of year	<u>\$ 1,345,350</u>	<u>\$ 1,387,370</u>
Reconciliation of loss from operations to net cash used in operating activities:		
Loss from operations	\$(241,194)	\$(103,604)
Adjustments to reconcile loss from operations to net cash used in operating activities:		
Depreciation and amortization expense	95,284	88,517
Bad debts expense	9,591	---
Changes in assets and liabilities:		
Accounts receivable	9,904	(22,583)
Inventory	1,128	2,295
Prepaid expenses	(249)	(4,659)
Accounts payable	7,671	6,977
Payable to affiliates	(7,623)	(7,543)
Accrued payroll	(28,931)	31,860
Accrued annual leave	(3,156)	1,161
Unearned revenue	(86)	318
Net cash used in operating activities	<u>\$(157,661)</u>	<u>\$(7,261)</u>

See accompanying notes.

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements

Years ended September 30, 2023 and 2022

1. Organization

The Marshall Islands Postal Service Authority (“MIPSA”), a component unit of the Republic of the Marshall Islands (RepMar), was created by the Postal Service Act of 1983 for the purpose of establishing an effective and efficient postal service for the Republic. MIPSAs provides both domestic and international mail services from six service outlets - the Uliga, Delap and Airport postal stations located on Majuro Atoll, the Ebeye postal station located on Kwajalein Atoll, the Jabor postal station located on Jaluit Atoll and the Wotje postal station located on Wotje Atoll.

The operations of MIPSAs were previously accounted for as a separate fund within RepMar’s Ministry of Finance, Banking and Postal Services. Effective October 1, 2008, MIPSAs established a separate bank account outside of RepMar’s Treasury for the purpose of receiving and disbursing funds in accordance with the Postal Service Fund (Amendment) Act of 2007. Accordingly, the accompanying financial statements relate solely to those accounting records maintained by MIPSAs and do not incorporate any accounts related to MIPSAs’s operations that may be accounted for by RepMar’s Treasury or any of RepMar’s other branches, departmental units or component units.

MIPSAs is governed by a five-member Board of Directors appointed by the President of RepMar. The Board of Directors, in turn, is responsible for the appointment of the Postmaster General who oversees the day-to-day operations of MIPSAs. MIPSAs’s financial statements are incorporated into the financial statements of RepMar as a component unit.

2. Summary of Significant Accounting Policies

The accounting policies of MIPSAs conform to accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental entities, specifically proprietary funds. The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles.

GASB Statement No. 34, *Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements - Management’s Discussion and Analysis - for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, establish standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net position categories:

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

- Net investment in capital assets - capital assets, net of accumulated depreciation and related debt, plus construction or improvement of those assets.
- Restricted - net position whose use by MIPSAs is subject to externally imposed stipulations that can be fulfilled by actions of the MIPSAs pursuant to those stipulations or that expire with the passage of time. MIPSAs have no restricted net position as of September 30, 2023 and 2022.
- Unrestricted - net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

When both restricted and unrestricted resources are available for use for the same purpose, it is MIPSAs's policy to use unrestricted resources first, then restricted resources as they are needed.

Basis of Accounting

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources, and liabilities and deferred inflows of resources associated with the operation of the fund are included in the statement of net position. Proprietary fund operating statements present increases and decreases in net position. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Cash

Custodial credit risk is the risk that in the event of a bank failure, MIPSAs's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. MIPSAs does not have a deposit policy for custodial credit risk.

For purposes of the statements of net position and cash flows, cash is defined as cash on hand and cash held in demand accounts. As of September 30, 2023 and 2022, the carrying amount of cash was \$1,345,350 and \$1,387,370, respectively, and the corresponding bank balance was \$1,350,518 and \$1,398,494, respectively. Of the bank balance amounts, \$873,636 and \$734,656, respectively, was maintained in a financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance. The remaining amounts of \$476,882 and \$663,838, respectively, was maintained in a financial institution not subject to depository insurance.

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Cash, continued

As of September 30, 2023 and 2022, bank deposits in the amount of \$250,000 were FDIC insured. MIPSAs does not require collateralization of its cash deposits; therefore, bank deposits in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

Receivables

All receivables are due from businesses and individuals located within the Republic of the Marshall Islands and are interest free and uncollateralized. The allowance for uncollectible accounts is stated at an amount which management believes will be adequate to absorb possible losses on accounts receivable that may become uncollectible based on evaluations of the collectability of these accounts and prior collection experience. The allowance is established through a provision for bad debts charged to current operations. Accounts are written off using the specific identification method.

Stamp Inventory

Stamp inventory consists of stamps purchased for resale and are valued at the lower of cost (first-in, first-out) or market value.

Prepaid Expenses

Certain payments to vendors or persons for goods and services reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the accompanying financial statements.

Capital Assets

Capital assets are recorded at cost less accumulated depreciation. MIPSAs does not have a capitalization policy for capital assets; however, items with a cost that equals or exceeds \$500 are generally capitalized at the time of acquisition. Depreciation is calculated using the straight-line method based on the estimated useful lives of the respective assets. The estimated useful lives of these assets are as follows:

	<u>Estimated Useful Lives</u>
Motor vehicles	4 years
Other furniture and equipment	3 years

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Leases

MIPSA is a party as lessee for various noncancellable long-term leases for office space. MIPSA determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified property, land, or equipment in exchange for consideration. Leases result in the recognition of right-to-use lease assets and lease liabilities on the statements of net position. Lease assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis.

Deferred Outflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (deduction of net position) until then. MIPSA has no items that qualify for reporting in this category.

Compensated Absences

Vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. As of September 30, 2023, and 2022, the accumulated vacation leave liability totals \$40,195 and \$43,351, respectively.

Unearned Income

Unearned income includes amounts received for postal box rental fees prior to the end of the fiscal year but related to the subsequent accounting period.

Deferred Inflows of Resources

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (additions to net position) until then. MIPSA has no items that qualify for reporting in this category.

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements

During the year ended September 30, 2023, MIPS A implemented the following pronouncements:

- GASB Statement No. 91, *Conduit Debt Obligations*, which provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The implementation of this Statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which improves financial reporting by addressing issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The implementation of this Statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The implementation of this Statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 99, *Omnibus 2022*, which enhances comparability in accounting and financial reporting and improves consistency of authoritative literature by addressing (1) practice issues that have been identified during the implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. This Statement provides clarification of provisions in:
 - GASB Statement No. 87, *Leases*, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements, continued

- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- GASB Statement No. 96 related to the SBITA term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.

This Statement modifies accounting and reporting guidance in:

- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, related to termination of hedge.

The implementation of this Statement did not have a material effect on the accompanying financial statements.

Upcoming Accounting Pronouncements

In April 2022, GASB issued Statement No. 99. This Statement contains guidance whose effective dates are in future periods. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 99:

- 1) Modifies guidance in GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, to bring all guarantees under the same financial reporting requirements and disclosures effective for fiscal year ending September 30, 2024.
- 2) Provides guidance on classification and reporting of derivative instruments within the scope of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for fiscal year ending September 30, 2024.

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62*. This Statement enhances accounting and financial reporting requirements for accounting changes and error corrections and requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. Requirements applicable to changes in accounting principles apply to the implementation of a new pronouncement if there is no specific transition guidance in the new pronouncement. The Statement also requires that aggregate amounts of adjustments to, and restatements of, beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 100 will be effective for fiscal year ending September 30, 2024.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The primary objective of the Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid, provided the services have occurred, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or noncash means. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 101 will be effective for fiscal year ending September 30, 2025.

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The primary objective of this Statement is to provide users of the government financial statements with essential information about risks related to a government's vulnerabilities due to ascertain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. Management is evaluating the effect that this Statement, upon implementation, will have on the financial statements. GASB Statement No. 102 will be effective for fiscal year ending September 30, 2025.

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Taxes

Corporate profits are not subject to income tax in the Republic of the Marshall Islands. The Government of the Republic of the Marshall Islands imposes a gross receipts tax of 3% on revenues. MIPSAs is specifically exempt from this tax.

Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Royalties

In 2018, MIPSAs entered into a two-year stamp and philatelic center agreement with Inter-Governmental Philatelic Corporation (IGPC) to assist MIPSAs in the design, production, sale and distribution of new postage stamps throughout the world. In return, MIPSAs would be the recipient of royalties as calculated in accordance with the agreement. The agreement was automatically renewable unless otherwise notified in writing by either party three months prior to the expiration date. In 2020, MIPSAs renewed the agreement for one additional year with a guaranteed minimum annual royalty payment of \$24,000. The agreement was further renewed in 2021 and 2022 for additional one-year periods with a guaranteed minimum annual royalty payment of \$24,000 per year.

The royalty agreement was not renewed in 2023. Accordingly, no royalty revenue has been recognized by MIPSAs. For the year ended September 30, 2022, MIPSAs recognized \$24,000 in royalty revenues in accordance with the agreement. As of September 30, 2023 and 2022, MIPSAs recorded royalty receivables of \$18,000 and \$48,000, respectively, due from IGPC with a corresponding allowance for doubtful accounts of \$12,000 and \$31,805, respectively.

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

4. Capital Assets

Capital asset activities for the years ended September 30, 2023 and 2022, were as follows:

	<u>2023</u>			
	<u>October 1, 2022</u>	<u>Additions</u>	<u>Transfers and Disposals</u>	<u>September 30, 2023</u>
Depreciable capital assets:				
Motor vehicles	\$295,760	\$50,495	\$ ---	\$346,255
Furniture and equipment	<u>159,945</u>	<u>12,785</u>	<u>(2,196)</u>	<u>170,534</u>
	455,705	63,280	(2,196)	516,789
Less accumulated depreciation	<u>(374,552)</u>	<u>(49,789)</u>	<u>2,196</u>	<u>(422,145)</u>
	<u>81,153</u>	<u>13,491</u>	<u>---</u>	<u>94,644</u>
Lease assets:				
Right-to-use assets	225,235	52,359	---	277,594
Less accumulated amortization	<u>(44,078)</u>	<u>(45,495)</u>	<u>---</u>	<u>(89,573)</u>
	<u>181,157</u>	<u>6,864</u>	<u>---</u>	<u>188,021</u>
	<u>\$262,310</u>	<u>\$20,355</u>	<u>\$ ---</u>	<u>\$282,665</u>
	<u>2022</u>			
	<u>October 1, 2021</u>	<u>Additions</u>	<u>Transfers and Disposals</u>	<u>September 30, 2022</u>
Depreciable capital assets:				
Motor vehicles	\$234,770	\$ 60,990	\$ ---	\$ 295,760
Furniture and equipment	<u>140,999</u>	<u>18,946</u>	<u>---</u>	<u>159,945</u>
	375,769	79,936	---	455,705
Less accumulated depreciation	<u>(330,113)</u>	<u>(44,439)</u>	<u>---</u>	<u>(374,552)</u>
	<u>45,656</u>	<u>35,497</u>	<u>---</u>	<u>81,153</u>
Lease assets:				
Right-to-use assets	225,235	---	---	225,235
Less accumulated amortization	<u>---</u>	<u>(44,078)</u>	<u>---</u>	<u>(44,078)</u>
	<u>225,235</u>	<u>(44,078)</u>	<u>---</u>	<u>181,157</u>
	<u>\$270,891</u>	<u>\$ (8,581)</u>	<u>\$ ---</u>	<u>\$ 262,310</u>

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

5. Leases

MIPSA is a lessee under non-cancelable leases for certain office space. The terms of the agreements range from 3 to 10 years generally at fixed monthly payments with no variable payments or escalation clauses. The calculated interest rate used was 13.5%.

The following is a summary of principal and interest requirements to maturity for the lease liabilities as of September 30, 2023:

Year ending September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 44,742	\$ 18,264	\$ 63,006
2025	42,065	18,941	61,006
2026	46,802	13,204	60,006
2027	23,696	8,239	31,935
2028	23,834	4,967	28,801
2029 - 2032	<u>24,406</u>	<u>3,394</u>	<u>27,800</u>
	<u>\$205,545</u>	<u>\$67,009</u>	<u>\$272,554</u>

6. Change in Long-term Liabilities

A summary of changes in long-term liabilities for the years ended September 30, 2023 and 2022, are as follows:

	2023				
	<u>October 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>September 30, 2023</u>	<u>Due Within One Year</u>
Accrued annual leave	\$ 43,351	\$ 60,432	\$ (63,588)	\$ 40,195	\$15,274
Lease liability	<u>192,000</u>	<u>52,359</u>	<u>(38,814)</u>	<u>205,545</u>	<u>44,742</u>
	<u>\$235,351</u>	<u>\$112,791</u>	<u>\$(102,402)</u>	<u>\$245,740</u>	<u>\$60,016</u>
	2022				
	<u>October 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>September 30, 2022</u>	<u>Due Within One Year</u>
Accrued annual leave	\$ 42,190	\$50,320	\$(49,159)	\$ 43,351	\$16,473
Lease liability	<u>225,235</u>	<u>---</u>	<u>(33,235)</u>	<u>192,000</u>	<u>38,008</u>
	<u>\$267,425</u>	<u>\$50,320</u>	<u>\$(82,394)</u>	<u>\$235,351</u>	<u>\$54,481</u>

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Notes to Financial Statements, continued

7. Related Party Transactions

MIPSA is a component unit of RepMar and is therefore affiliated with all RepMar-owned and affiliated entities. MIPSA provides postal services to all RepMar-owned and affiliated entities at substantially the same terms and conditions as those provided to third parties. MIPSA utilizes services from certain affiliated entities at substantially the same terms and conditions as those incurred from third parties. A summary of related party transactions as of and for the years ended September 30, 2023 and 2022 are as follows:

	<u>2023</u>	
	<u>Expenses</u>	<u>Payables</u>
Marshall Islands Social Security Administration	\$ 65,737	\$28,730
Marshall Islands National Telecommunications Authority	26,372	2,686
Air Marshall Islands, Inc.	35,908	2,748
RMI Ports Authority	3,000	300
Marshall Islands Development Bank	7,200	600
Marshall's Energy Company, Inc.	2,400	200
RepMar	---	4,005
	<u>\$140,617</u>	<u>\$39,269</u>

	<u>2022</u>	
	<u>Expenses</u>	<u>Payables</u>
Marshall Islands Social Security Administration	\$ 66,968	\$33,011
Marshall Islands National Telecommunications Authority	22,814	1,490
Air Marshall Islands, Inc.	29,014	4,264
RMI Ports Authority	2,000	---
Marshall Islands Development Bank	7,200	---
Marshall's Energy Company, Inc.	2,400	2,200
RepMar	---	5,927
	<u>\$130,396</u>	<u>\$46,892</u>

During the years ended September 30, 2023 and 2022, the operations of MIPSA were funded by appropriations of \$223,054 and \$197,059, respectively, from the Nitijela of RepMar. The 2023 appropriation included financial assistance of \$25,995 related to COVID-19. As of September 30, 2023 and 2022, MIPSA recognized receivables from RepMar for reimbursable audit fees of \$3,200 and \$6,500, respectively.

8. Risk Management

MIPSA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. MIPSA has elected to purchase commercial insurance from independent third parties for the risks of loss to which it is exposed. No instances have occurred in the past three year where settlements have exceeded available insurance coverage.

Supplementary Information

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Combining Schedule of Operating Income (Loss) By Station

Year ended September 30, 2023

	<u>Ulga</u>	<u>Delap</u>	<u>Ebeye</u>	<u>Airport</u>	<u>Jabor</u>	<u>Wotje</u>	<u>Total</u>
Operating revenues:							
Stamp sales	\$ 527,116	\$ 133,164	\$ 41,588	\$ 17,288	\$ 8,073	\$ 1,801	729,030
Postal box rentals	60,555	6,043	21,012	2,717	2,910	1,841	95,078
Other	18,457	138	918	211	21	41	19,786
Allowance for bad debts	(1,885)	(129)	(4,849)	(884)	(1,156)	(688)	(9,591)
Total operating revenues	<u>604,243</u>	<u>139,216</u>	<u>58,669</u>	<u>19,332</u>	<u>9,848</u>	<u>2,995</u>	<u>834,303</u>
Operating expenses:							
Salaries, wages and other benefits	514,828	---	111,686	---	25,847	24,677	677,038
Depreciation and amortization	62,097	6,102	14,659	2,405	4,926	5,095	95,284
Domestic freight	22,004	---	4,848	---	7,422	1,634	35,908
Supplies and material	31,287	---	1,065	---	1,062	---	33,414
Travel	32,123	---	---	---	---	---	32,123
Utilities	23,303	---	5,000	380	---	---	28,683
Training	28,469	---	---	---	---	---	28,469
Communications	23,254	---	3,118	---	---	---	26,372
Charter Boat	750	---	23,125	---	---	---	23,875
Petroleum, oil and lubricants	16,037	---	1,955	---	1,439	---	19,431
Repair and maintenance	13,132	---	30	---	---	---	13,162
Insurance	10,271	---	---	---	---	---	10,271
Board sitting fees	9,589	---	---	---	---	---	9,589
Contractual services	1,560	---	---	---	---	---	1,560
Miscellaneous	37,410	84	2,508	---	316	---	40,318
Total operating expenses	<u>826,114</u>	<u>6,186</u>	<u>167,994</u>	<u>2,785</u>	<u>41,012</u>	<u>31,406</u>	<u>1,075,497</u>
Operating income (loss)	<u><u>\$ (221,871)</u></u>	<u><u>\$ 133,030</u></u>	<u><u>\$ (109,325)</u></u>	<u><u>\$ (16,547)</u></u>	<u><u>\$ (31,164)</u></u>	<u><u>\$ (28,411)</u></u>	<u><u>\$ (241,194)</u></u>

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors
Marshall Islands Postal Service Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Marshall Islands Postal Service Authority (MIPSA), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise MIPSA's basic financial statements, and have issued our report thereon dated May 16, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MIPSA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MIPSA's internal control. Accordingly, we do not express an opinion on the effectiveness of MIPSA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

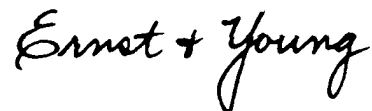
As part of obtaining reasonable assurance about whether MIPSAs financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

MIPSA's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on MIPSAs response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. MIPSAs response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The logo for Ernst & Young, featuring the company name in a stylized, handwritten-style script.

May 16, 2025

Marshall Islands Postal Service Authority, Inc.
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Responses

Year ended September 30, 2023

Finding No. 2023-001

Noncompliance with GASB Statement No. 87 Lease Modification Requirements

Criteria:

According to GASB Statement No. 87, *Leases*, lease modifications, such as changes in lease payments or lease terms, should be reassessed and reflected in the lease liability and right-of-use asset. Failure to do so results in financial statements that do not accurately present lease obligations.

Condition:

As of September 30, 2023, management did not properly account for lease modifications, including changes in lease rates and terms. Instead of updating lease schedules to reflect these modifications, the entity continued using the prior year's lease schedule without adjustment. An audit adjustment has been proposed as the impact of lease modifications were considered material to the financial statements of MIPSAs.

Cause:

MIPSA did not implement a process to review and update lease schedules when modifications occurred. This may have been due to a lack of understanding of GASB Statement No. 87 requirements or inadequate controls over lease accounting.

Effect:

By not adjusting for lease modifications, misstatements were identified related to lease liabilities, right-of-use assets, and lease expenses. This could impact decision-making and financial reporting compliance.

Recommendation:

We recommend management establish a process to review lease agreements regularly for modifications and update lease schedules accordingly. Additionally, staff should be trained on GASB 87 requirements to ensure compliance with lease accounting standards.

Auditee Response and Corrective Action Plan:

MIPSA acknowledges the audit finding and agrees with the recommendation. We recognize that the failure to reflect lease modifications in our financial statements resulted in material misstatements affecting key financial balances. Management accepts responsibility for this oversight and is implementing corrective actions to ensure full compliance moving forward. To correct and prevent this issue from recurring, MIPSAs is implementing the following actions:

Marshall Islands Postal Service Authority, Inc.
(A Component Unit of the Republic of the Marshall Islands)

Schedule of Findings and Responses

Finding No. 2023-001, Continued

Noncompliance with GASB 87 Lease Modification Requirements, continued

Auditee Response and Corrective Action Plan, continued:

- **Formal Review Process:** A structured and recurring process will be established to monitor all active lease agreements for modifications. This will include a quarterly review of lease terms, payments, renewals, and amendments, with all changes documented and updated in the lease accounting schedules in a timely manner.
- **Training and Awareness:** Targeted training sessions will be provided to accounting staff and relevant managers to ensure full understanding of GASB Statement No. 87 standards. We will also maintain reference documentation and provide refresher training annually to support compliance continuity.
- **Internal Control Strengthening:** Internal controls will be enhanced to include supervisory review and sign-off procedures for all lease modifications. The updated lease schedules will be reviewed and reconciled with the general ledger as part of monthly close procedures. This added oversight ensures changes are captured and properly reflected in financial reporting.
- **Oversight and Monitoring:** Management will assign a designated staff member to oversee lease accounting compliance, including maintaining a lease inventory and checklist for compliance with GASB Statement No. 87. Compliance status will be reported to senior management as part of quarterly financial reviews.

*The Auditor's Communication With Those Charged
With Governance*

Marshall Islands Postal Service Authority
(A Component Unit of the Republic of the Marshall Islands)

Year ended September 30, 2023



May 16, 2025

To the Board of Directors of
Marshall Islands Postal Service Authority

We have performed an audit of the financial statements of the business-type activities of Marshall Islands Postal Service Authority (MIPSA), a component unit of the Republic of the Marshall Islands, as of and for the year ended September 30, 2023, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and have issued our report thereon dated May 16, 2025.

This report summarizes our communications with those charged with governance as required by our professional standards to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process.

REQUIRED COMMUNICATIONS

Professional standards require the auditor to provide the Board and those charged with governance with additional information regarding the scope and results of the audit that may assist the Board and those charged with governance in overseeing the financial reporting and disclosure processes which the management of MIPSA is responsible. We summarize these required communications as follows:

Overview of the planned scope and timing of the audit

Our audit scope and timing are consistent with the plan communicated in our engagement letter dated October 29, 2024 and at our audit planning meeting with management.

Auditors' Responsibilities under Auditing Standards Generally Accepted in the United States (US GAAS) and Generally Accepted Government Auditing Standards (GAGAS)

The financial statements required supplementary information and supplementary information are the responsibility of MIPSA's management as prepared with the oversight of those charged with governance. Our audit was designed in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, to obtain reasonable, rather than absolute, assurance that the financial statements are free of material misstatement.

An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

Our responsibilities are included in our audit engagement letter.

Changes to the audit strategy, timing of the audit and significant risks identified

Our audit strategy is consistent with the plan communicated during the October 2024 meeting.

Matters relevant to our evaluation of the entity's ability to continue as a going concern

We did not identify any events or conditions that led us to believe there was substantial doubt about the Company's ability to continue as a going concern.

Our views about the qualitative aspects of the entity's significant accounting practices, including:

- **Accounting policies**
- **Accounting estimates**

Management has not selected or changed any significant policies or changed the application of those policies in the current year. A discussion of significant accounting policies and sensitive accounting estimates have been included in Note 2 of the financial statements.

We have provided a discussion of significant accounting policies and our views regarding significant accounting estimates and financial statement disclosures and related matters in Note 2 of the basic financial statements.

We determined that those charged with governance are informed about management's process for formulating particularly sensitive estimates and about the basis to our conclusions regarding the reasonableness of those estimates.

Related party relationships and transactions

We noted no significant matters regarding the MIPSAs' relationships and transactions with related parties other than disclosed in footnote 7 to the financial statements.

Changes to the terms of the audit with no reasonable justification for the change

We are not aware of any matters that require communication.

Significant unusual transactions

We are not aware of any significant unusual transactions executed by MIPS A.

Difficult or contentious matters subject to consultation outside of the audit team

None.

Material corrected misstatements related to accounts and disclosures

Refer to “Management Representations Letter” in Appendix A.

Uncorrected misstatements related to accounts and disclosures, considered by management to be immaterial

Refer to “Management Representations Letter” in Appendix A.

Significant deficiencies and material weaknesses in internal control over financial reporting

We have issued our Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated May 16, 2025. In that report, we identified a certain deficiency in internal control that we consider to be a material weakness.

Fraud and noncompliance with laws and regulations (illegal acts)

We are not aware of any matters that require communication.

Obtain information relevant to the audit

Inquiries regarding matters relevant to the audit were performed during the October 2024 meeting during the audit.

Independence matters

We are not aware of any matters that in our professional judgment would impair our independence.

New accounting pronouncements

No issues have been identified with regard to management’s planned application of new accounting pronouncements:

- GASB Statement No. 99
- GASB Statement No. 100
- GASB Statement No. 101
- GASB Statement No. 102

Management is still assessing the impact of adopting these GASB Statements.

Significant issues discussed with management in connection with the auditor's initial appointment or recurring retention

We are not aware of any matters that require communication.

Disagreements with management and significant difficulties encountered in dealing with management when performing the audit

There were no material disagreements with MIPSAs management on financial accounting and reporting matters during the audit.

Management's consultations with other accountants

We are not aware of any consultations made by management with other accountants or specialists.

Other material written communications with management

None.

Other matters

There are no other matters arising from the audit that are, in our judgment, significant and relevant to those charged with governance regarding the oversight of the financial reporting process.

AICPA ethics ruling regarding third-party service providers

From time to time, and depending on the circumstances, (1) we may subcontract portions of the Audit Services to other EY firms, who may deal with MIPSAs or its affiliates directly, although EY alone will remain responsible to you for the Audit Services and (2) personnel (including non-certified public accountants) from an affiliate of EY or another EY firm or any of their respective affiliates, or from independent third-party service providers (including independent contractors), may participate in providing the Audit Services. In addition, third-party service providers may perform services for EY in connection with the Audit Services.

Representations from management

We have obtained from management a representations letter related to the audit and a copy of the management representations letter is included in Appendix A.

Engagement team's involvement with preparation of the financial statements

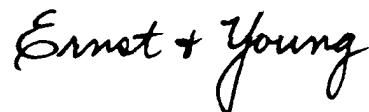
Under GAS 2018 Revision, Chapter 3 Ethics, Independence and Professional Judgment, Paragraph 3.73-74 Provision of Non-audit Services to Audited Entities explains that the audit team should make consideration of management's ability to effectively oversee the non-audit services to be provided. The engagement team should determine that the audited entity has designated an individual who possesses suitable skill, knowledge or experience and that the individual understands the services to be performed sufficiently to oversee them.

The engagement team should document consideration of management's ability to oversee non-audit services to be performed.

The engagement team believes that this significant threat is reduced to an acceptable level upon application of the following safeguards:

- An engagement quality control review was performed by a qualified Ernst & Young Partner who was not otherwise involved in the audit.
- The preparation of the financial statements is based on MIPSAs trial balance with our understanding that MIPSAs underlying books and records are maintained by MIPSAs accounting department and that the final trial balance prepared by MIPSAs is complete.
- All adjusting journal entries that Ernst & Young posted to the trial balance have been approved by management of MIPSAs.
- MIPSAs Accounts Manager have the skill sets to oversee and review the completeness and accuracy of the financial statements and footnote disclosures.

Very truly yours,

A handwritten signature in black ink that reads "Ernst & Young". The signature is written in a cursive, flowing style.

Appendix

A - Management Representations Letter

A - Management Representations Letter



MARSHALL ISLANDS POSTAL SERVICE AUTHORITY

P. O. BOX 9998 MAJURO, MH 96960, TEL: (692) 625-7369

Email: mipsa.mh@gmail.com

May 16th, 2025

Ernst & Young LLP
Majuro, Marshall Islands
P.O Box 1288, 96960

In connection with your audit of the basic financial statements of Marshall Islands Postal Service Authority (MIPSA) as of September 30, 2023 and 2022 and for the years then ended, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form opinions whether the financial statements present fairly, in all material respects, the financial position of the business-type activities of MIPSA and the changes in financial position and cash flows in conformity with US generally accepted accounting principles (US GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief:

Management's responsibilities

We have fulfilled our responsibilities, as set forth in the terms of the audit engagement agreement dated October 29, 2024, for the preparation and fair presentation of the financial statements (including disclosures) in accordance with US GAAP applied on a basis consistent with that of the preceding period except for the effects of adopting new accounting standards.

In preparing the financial statements, we evaluated whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MIPSA's ability to continue as a going concern for one year after the date that the financial statements are issued (or available to be issued, if applicable), and to provide appropriate financial statement disclosure, when applicable, related to going concern and using the going concern basis of accounting unless we prepared the financial statements in accordance with the liquidation basis of accounting.

We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. We have provided you with:

A - Management Representations Letter, continued

- Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, data, documentation and other matters.
- Additional information that you have requested from us for the purpose of the audit.
- Unrestricted access to persons within MIPSAs from whom you determined it necessary to obtain evidence.

We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

From June 7, 2024 through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the financial statements, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

Governmental entities

We recognize that we are responsible for MIPSAs compliance with laws, regulations, and provisions of contracts and grant agreements that are applicable to it. We have identified and disclosed to your representatives, all laws and regulations that have direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

We have identified to your representatives all previous audits, attestation engagements, and other studies related to the audit objectives and whether the related recommendations have been implemented.

There has been no noncompliance or possible noncompliance with provisions of contracts or grant agreements in any jurisdiction whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

We have informed you of any investigations or legal proceedings that have been initiated or are in process with respect to the period under audit.

We have a process to track the status of audit findings and recommendations.

We have provided views on your reported findings, conclusions, and recommendations, as well as management's planned corrective actions, for the report.

We have taken timely and appropriate steps to remedy fraud, and noncompliance with provisions of laws, regulations, contracts or grant agreements, that you have reported.

A - Management Representations Letter, continued

Corrected misstatements

We have reviewed and approved the adjustments, summarized in the accompanying schedule, and reflected these adjustments in the financial statements. Refer to the "Schedule of Corrected Misstatements" in Appendix B.

Uncorrected misstatements

We believe that the effects of any uncorrected misstatements, summarized in the accompanying schedule (Appendix), accumulated by you during the current and prior audit period presented are immaterial, both individually and in the aggregate, to the financial statements for each opinion unit. In addition, to the extent that uncorrected misstatements have been subsequently identified in the current period that affect prior period financial statements, we have evaluated the effect of correcting prior period financial statements and believe that the effects of the uncorrected misstatements are immaterial, both individually and in the aggregate, to both the current and prior period financial statements.

Internal control

We have communicated to you all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting.

Minutes and contracts and internal audit reports

The dates of meetings of members, officers or summaries of actions of recent meetings held from October 1, 2022, to the date of this letter are as follows:

Date Meeting Type

August 17, 2023	Special Board Meeting
November 16, 2023	Regular Board Meeting
February 15, 2024	Regular Board Meeting
March 11, 2024	Special Board Meeting
July 12, 2024	Special Board Meeting
July 16, 2024	Special Board Meeting
August 22, 2024	Special Board Meeting
September 19, 2024	Special Board Meeting
September 23, 2024	Special Board Meeting
October 30, 2024	Special Board Meeting

Certain minutes of meetings of members were not made available. There were no matters of significance discussed by the members of the Board of Directors during these meetings that required adjustment to, or disclosure in, the financial statements as of September 30, 2023.

We have made available to you all significant contracts, including amendments, and agreements and have communicated to you all significant oral agreements. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance, including all covenants, conditions or other requirements of all outstanding debt.

We have also made available to you all internal audit reports (or reports from similar functions) that were issued to management during the year that address internal control over financial reporting.

A - Management Representations Letter, continued

Methods, significant assumptions, and data used in making accounting estimates

The appropriateness of the methods, the consistency in application, the accuracy and completeness of data, and the reasonableness of significant assumptions used by us in developing accounting estimates and related disclosures, including those measured at fair value, are reasonable and supportable.

Ownership and pledging of assets

Except for right-to-use another entity's nonfinancial assets (the underlying assets), MIPSAsatisfactory title to all assets appearing in the statement of net position. No security agreements have been executed under the provisions of any law, and there are no liens or encumbrances on assets, nor has any asset been pledged. All assets to which MIPSAsatisfactory title appear in the statement of net position.

Receivables and revenues

Receivables have been determined in accordance with all relevant GASB Statements, including GASB Statements No. 33 and 62 - as amended.

Adequate provision has been made for losses, costs and expenditures that may be incurred subsequent to the balance sheet date in respect of any sales and services rendered prior to that date and for uncollectible accounts and allowances, etc., that may be incurred in the collection of receivables at that date.

Long-lived assets to be held and used, including amortizable intangible assets

No events or changes in circumstances have occurred that indicate the carrying amounts of long-lived assets to be held and used, including intangible assets that are subject to amortization, may not be recoverable.

Related party relationships and transactions

We have made available to you the names of all related parties and all relationships and transactions with related parties.

The substance of transactions with related parties as defined in GASB Statement No. 56 - as amended, has been considered and appropriate adjustments or disclosures are made in the basic financial statements, and information concerning these transactions and amounts have been made available to you.

Side agreements and other arrangements

There have been no side agreements or other arrangements (either written or oral) that have not been disclosed to you.

A - Management Representations Letter, continued

Arrangements with financial institutions

Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements have been properly recorded or disclosed in the financial statements.

Contingent liabilities

There are no unasserted claims or assessments, including those our lawyers have advised us of, that are probable of assertion and must be disclosed in accordance with GASB Statement No. 62 - as amended other than those disclosed in the financial statements.

There have been no violations or possible violations of laws or regulations in any jurisdiction whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency other than those disclosed in the financial statements.

There have been no internal investigations or communications from regulatory agencies or government representatives in any jurisdiction concerning investigations or allegations of noncompliance with laws or regulations, noncompliance with or deficiencies in financial reporting practices, or other matters that could affect the financial statements other than those disclosed or accrued in the financial statements.

There are no other liabilities or gain or loss contingencies considered material, individually or in the aggregate, that are required to be accrued or disclosed by GASB Statement No. 62 - as amended, *Contingencies* other than those accrued or disclosed in the financial statements, nor are there any accruals for loss contingencies included in the statement of financial position or gain contingencies reflected in earnings that are not in conformity with the provisions of GASB Statement No. 62 - as amended.

We have not consulted with outside legal counsel concerning litigation, claims or assessments.

Oral or written guarantees

There are no oral or written guarantees other than those reported in the financial statements, including guarantees of the debt of others.

Purchase commitments

At September 30, 2023 and 2022, MIPS had no purchase commitments for inventories in excess of normal requirements or at prices that were in excess of market at those dates.

There were no agreements or commitments to repurchase assets previously sold. There were no material commitments outstanding at September 30, 2023 and 2022 as a result of being a party to futures or forwards contracts, short sales or hedge transactions.

A - Management Representations Letter, continued

Non-compliance with laws and regulations, including fraud

We acknowledge that we are responsible to determine that MIPSAs business activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws or regulations, including fraud.

We acknowledge our responsibility for the design, implementation and maintenance of a system of internal control to prevent and detect fraud.

We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in MIPSAs internal control over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees where the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of MIPSAs.

We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

Independence

We have communicated to you the names of MIPSAs affiliates, officers and directors.

We are not aware of any capital lease, material cooperative arrangement or other business relationship between MIPSAs and Ernst & Young LLP or any other member firm of the global Ernst & Young organization.

We are not aware of any reason that Ernst & Young LLP would not be independent for purposes of MIPSAs audit.

Conflicts of interest

There are no instances where any officer or employee of MIPSAs has an interest in a company with which MIPSAs does business that would be considered a "conflict of interest." Such an interest would be contrary to MIPSAs policy.

A - Management Representations Letter, continued

Effects of new accounting principles

As discussed in Note 2 to the financial statements, we have not completed the process of evaluating the effects that will result from adopting the amendments to the codification provided in Governmental Accounting Standards Board (GASB):

- GASB Statement No. 99
- GASB Statement No. 100
- GASB Statement No. 101
- GASB Statement No. 102

MIPSA is therefore unable to disclose the effects that adopting the amendments in the aforementioned GASB Statements will have on its financial position and the changes in its financial position when such statement is adopted.

Going concern

In preparing the financial statements, we evaluated the entity's ability to continue as a going concern for twelve months after the date that the financial statements are issued (or available to be issued, if applicable), and provide appropriate financial statement disclosure, as necessary under GASB requirements.

Required supplementary information

We acknowledge our responsibility for the required supplementary information on management's discussion and analysis, which have been measured and presented in conformity with the guidelines established by the Governmental Accounting Standards Board in its applicable GASB Statement. There have been no changes in the methods of measurement or presentation of the required supplementary information from those used in the prior period.

There are no significant assumptions or interpretations underlying the measurement or presentation of the information.

Supplementary Information

We are responsible for the preparation and fair presentation of the following schedules (the "Supplementary Information"):

- Combining Schedule of Operating Income (Loss) by Station

We believe the supplementary information, including its form and content, is fairly stated in all material respects.

There have been no changes in the methods of measurement or presentation of the supplementary information from those used in the prior period.

There are no significant assumptions or interpretations underlying the measurement or presentation of the information.

A - Management Representations Letter, continued

Additional representations

- We have identified and disclosed to you all provisions of laws and regulations that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities.
- We have identified and disclosed to you violations (and possible violations) of laws, regulations and provisions of contracts and grant agreements with effects that should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available is appropriately disclosed and net position was properly recognized under the policy.
- Subsequent events have been evaluated and classified as recognized or nonrecognized through the date of this letter.

Financial statements approval

We have received a draft copy of the financial statements of MIPSAs as of and for the years ended September 30, 2023, and 2022. The accuracy and completeness of the financial statements, including footnote disclosures, are the responsibility of the management of MIPSAs.

You have assisted in the preparation of MIPSAs's financial statements based on the information in MIPSAs's trial balance and accounting records. It is our understanding that:

- MIPSAs's underlying books and records are maintained by MIPSAs's accounting department and that the final trial balance prepared by MIPSAs is complete;
- All adjusting journal entries posted to the trial balance have been approved by MIPSAs; and
- Management of MIPSAs has designated a competent representative to oversee your services and that there are MIPSAs personnel with sufficient financial competence who are able to challenge and review the completeness and accuracy of the financial statements.

We have reviewed the draft financial statements for accuracy and completeness.

We acknowledge, that we have reviewed the draft financial statements for accuracy and completeness, and we take responsibility for them.

Subsequent events

Subsequent to September 30, 2023, no events or transactions have occurred or are pending that would have a material effect on the financial statements at that date or for the period then ended, or that are of such significance in relation to MIPSAs's affairs to require mention in a note to the basic financial statements in order to make them not misleading regarding the financial position, changes in financial position and, where applicable.

A - Management Representations Letter, continued

We understand that your audit was conducted in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, and was, therefore, designed primarily for the purpose of expressing opinions on the financial statements of MIPSAs and that your tests of the accounting records and other auditing procedures were limited to those that you considered necessary for that purpose.

Very truly yours,



PMG, Bobby Zed



Accounts Manager, Sharon Fitzpatrick

A - Management Representations Letter, continued



MARSHALL ISLANDS POSTAL SERVICE AUTHORITY

P. O. BOX 9998 MAJURO, MH 96960, TEL: (692) 625-7369

Email: mipsa.mh@gmail.com

Appendices

A – Schedule of Corrected Misstatements

B – Schedule of Uncorrected Misstatements

A - Management Representations Letter, continued



MARSHALL ISLANDS POSTAL SERVICE AUTHORITY
P. O. BOX 9998 MAJURO, MH 96960, TEL: (692) 625-7369
Email: mipsa.mh@gmail.com

Communication schedule for corrected misstatements

Appendix A – Schedule of Corrected Misstatements

Entity: Marshall Islands Postal Service Authority

Period ended: 30-Sep-2023

Currency: USD

Corrected misstatements			Analysis of misstatements Debit/(Credit)							
No.	W/P ref.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period	
		(misstatements are recorded as journal entries with a description)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable
AJE 1		Correcting the wrong posting of utilities expense								
	VD.00	Utilities							17,970	X
	VD.00	Domestic Freight							(17,970)	X
AJE 2		To reverse the impact of Invalid Royalties receivables								
	E.00	Provision for Bad Debt.	(13,805)							X
	E.00	Accounts Receivable	13,805							
AJE 3		To record the COVID-19 financial assistance								
	UE1.00	Salaries and Wages							9,000	X
	UE1.00	Contribution from RMI							(9,000)	X
AJE 4	UA.00	To reverse the wrong recording of the FY23 Royalty								
		Royalty							24,000	X
		Accounts Receivable	(24,000)							X
AJE 5		Recording the impact of lease modification								
	LRE.00	ROUA		52,359						
	LRE.00	Finance Cost / Interest Expense							(3,372)	
	LRE.00	Lease liability				(48,987)				
	LRE.00	Accumulated Amortization - ROUA		(1,417)						
	LRE.00	Amortization - ROUA							1,417	
Total of corrected misstatements before income tax			(24,000)	50,942	0	(48,987)	0	0	22,045	
Financial statement amounts			1,383,367	282,666	(188,731)	(185,724)	(1,291,578)		40,958	
Effect of corrected misstatements on F/S amounts			-1.7%	18.0%	0.0%	26.4%	0.0%		53.8%	

A - Management Representations Letter, continued



MARSHALL ISLANDS POSTAL SERVICE AUTHORITY
P. O. BOX 9998 MAJURO, MH 96960, TEL.: (692) 625-7369
Email: mipsa.mh@gmail.com

Appendix B- Schedule of Uncorrected Misstatement

Communication schedule for uncorrected misstatements

Entity: Marshall Islands Postal Service Authority

Period Ended: 30-Sep-2023

Currency: USD


Uncorrected misstatements			Analysis of misstatements Debit/(Credit)									Income statement effect of the prior period	
No.	W/P ref.	Account (Note 1)	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period	Non taxable	Prior period Debit/(Credit)	Non taxable	
(misstatements are recorded as journal entries with a description)			Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)				
Factual misstatements:													
PY SAD.01	F.01	To record stamp inventory											
		Inventory on hand											
		Income									6,192		
SAD.01	F.01	To record stamp inventory											
		Inventory on hand	4,319										
		Income							(4,319)	X			
Total of uncorrected misstatements before income tax			4,319	0	0	0	0	0	(4,319)		6,192		
Total of uncorrected misstatements			4,319	0	0	0	0	0	(4,319)		6,192		
Financial statement amounts			1,383,367	282,666	(188,731)	(185,724)	(1,291,578)		40,958		(85,058)		
Effect of uncorrected misstatements on F/S amounts			0.3%	0.0%	0.0%	0.0%	0.0%		-10.5%		-9.5%		

Management Letter

Marshall Islands Postal Service Authority

(A Component Unit of the Republic of the Marshall Islands)

Year ended September 30, 2023

A large, solid yellow shape that starts as a thin wedge on the left and expands diagonally upwards to the right, filling the bottom half of the page.

May 16, 2025

Management and the Board of Directors
Marshall Islands Postal Service Authority

In planning and performing our audit of the financial statements of the business-type activities of Marshall Islands Postal Service Authority (MIPSA) as of and for the year ended September 30, 2023 in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MIPSA's internal control. Accordingly, we do not express an opinion on the effectiveness of MIPSA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

During our audit, we noted the following deficiencies in internal control (as described above) and other matters:

Stamp Inventory

Condition: During our audit, we noted that MIPSA purchases postage stamps in bulk; however, the cost of unsold stamps at year-end, comprising 172,750 stamps, is not recorded as inventory. Instead, all stamp purchases are expensed at the time of purchase, regardless of whether they have been used. As the cost of stamp inventory on hand aggregating \$4,319 was not considered material to the financial statements, no audit adjustment was proposed.

Recommendation: We recommend that management implement a policy to track and record the value of unsold stamps at year-end as inventory. This will ensure more accurate financial reporting and compliance with generally accepted accounting principles.

Withholding Tax Remittances

Condition: For year ended September 30, 2023, MIPSAs filed and paid income taxes withheld for payroll period ending October 2022, January 2023, February 2023, April 2023, May 2023 and September 2023 in a manner inconsistent with the Income Tax Act of 1989, which is 14 days after month end. Such were paid on November 11, 2022, February 16, 2023, March 21, 2023, June 2, 2023, June 21, 2023, and November 14, 2023, respectively.

Recommendation: We recommend management establish internal control policies and procedures requiring compliance with the Income Tax Act 1989.

Social Security and Health Fund Contribution

Condition: For the year ended September 30, 2023, MIPSAs filed and paid Social Security and Health Fund Contributions for quarter ended September 30, 2023, in a manner inconsistent with Social Security Act of 1990, which is 10 days after quarter end. Such was paid on October 12, 2023.

Recommendation: We recommend management establish internal control policies and procedures requiring compliance with the Social Security Act 1990.

Royalty Revenue

Condition: During our audit, we noted that royalty revenue continued to be recognized after the expiration of the related royalty agreement with Inter-Governmental Philatelic Corporation (IGPC). Specifically, royalties of \$24,000 were recorded for the period following the contractual end date of the agreement without evidence of a formal extension, renewal, or new agreement. Accordingly, an audit adjustment was proposed to reverse the incorrect recognition of royalty revenues.

Recommendation: We recommend that management ensure royalty revenue is recognized only when supported by a valid and enforceable agreement. In instances where an agreement has expired, revenue should not be recognized unless a new contract or formal extension is executed.

Board Minutes of Meetings

Condition: During our audit, minutes of the Board of Directors meetings were not made available for review for meetings held during the fiscal year due to being misplaced. Board minutes are an essential governance record, providing evidence of key decisions and oversight responsibilities.

Recommendation: We recommend that management ensure that minutes of all Board of Directors meetings are formally prepared, reviewed, and approved in a timely manner. These minutes should be safeguarded and retained as part of MIPSAs official records and made available for review during future audits.

Board Sitting Fees

Condition: For the year ended September 30, 2023, MIPSAs paid sitting fees of \$9,589 to Board members. These fees may constitute wages under the Income Tax Act 1989 and thus may be subject to withholding taxes. No withholding taxes were withheld by MIPSAs.

Recommendation: We recommend management obtain an interpretation from the Ministry of Finance, Banking and Postal Services Chief of Revenue and Taxation concerning the applicability of withholding taxes on sitting fees paid to Board members.

This communication is intended solely for the information and use of management, the Board of Directors, others within the organization, and the Office of the Auditor-General, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.

At this time, we would like to thank all the staff and management of MIPSAs for their cooperation extended to us during the course of our audit. We would be pleased to discuss the above matters or to respond to any questions, at your convenience.

Ernst + Young